

Message Text

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PAGE 01 NEW DE 05350 090502 Z

15

ACTION EB-11

INFO OCT-01 NEA-10 ADP-00 L-03 COME-00 MC-02 SS-15 NSC-10

TRSE-00 JUSE-00 CIAE-00 INR-10 NSAE-00 RSC-01 RSR-01

STR-08 TAR-02 SIL-01 LAB-06 EUR-25 /106 W

----- 010787

R 081235 Z MAY 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4222

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

LIMITED OFFICIAL USE NEW DELHI 5350

E. O. 11652: N/A

TAGS: ETRD, IN

SUBJ: ANTI- TRUST CASE US VS. IBM

REF : STATE 69913

BEGIN SUMMARY: INFORMATION REQUESTED IN REFTEL IS PROVIDED
BELOW. END SUMMARY.

1. IBM IN INDIA OPERATES AS WHOLLY- OWNED BRANCH OF IBM UNDER THE LEGAL TITLE OF IBM WORLD TRADE CORPORATION. IBM- INDIA IS 100 PERCENT OWNED BY IBM WORLD TRADE COPR., NEW YORK. IT DOES NOT HAVE A BOARD OF DIRECTORS BUT IS MANAGED BY A TEAM OF PROFESSIONAL EXECUTIVES HEADED BY A. L. TAYLOR, AN EXPATRIATE AUSTRALIAN WHO HAS HEADED IBM- INDIA SINCE 1969. THE ONLY AMERICAN NATIONAL HOLDING A RESPONSIBLE SENIOR POSITION IS R. C. JOHNSON, PLANT MANAGER, BOMBAY. SEVERAL INDIANS HOLD SENIOR- LEVEL POSITIONS OF RESPONSIBILITY. COMPANY'S MANUFACTURING PLANT IS LOCATED AT BOMBAY. ITS EFFORTS TO SHIFT PLANT OPERATIONS TO BANGALORE AND TO UNDERTAKE EXPANISON BY INTRODUCING THE SYSTEM-360 GENERATION COMPUTERS HAVE NOT MET WITH SUCCESS.

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2. IBM- INDIA HAS TWO PRINCIPAL COMPETITORS WITHIN THE COUNTRY:
(A) UK BASED INTERNATIONAL COMPUTERS LTD. (ICL), WHICH HAS HAD OPERATIONS IN INDIA SINCE EARLY 1950. ITS MANUFACTURING PROGRAM STARTED IN 1966; (B) SECOND COMPETITOR IS GOI- OWNED ELECTRONICS CORPORATION OF INDIA (ECIL) - TDC 12 COMPUTERS. OF THESE TWO, ICL PROVIDES THE MAJOR COMPETITION TO IBM IN INDIA. IN SPITE OF COMPETITION FROM ICL, ECIL AND OTHERS, IBM IS THE MARKET LEADER AND PACE SETTER IN COMPUTER TECHNOLOGY AND APPLICATION IN INDIA. IBM- INDIA, BY CONSERVATIVE ESTIMATE, CONTROLS NEARLY 60 PERCENT OF INDIA MARKET.

3. A SUMMARY OF IMPORTS AND EXPORTS OF COMPUTERS AND OF PERIPHERAL EQUIPMENT BY COUNTRY OF ORIGIN AND DESTINATION FOR FIVE YEARS ENDED 1971-72 (APRIL- MARCH) IS BEING AIRPOUCHED. IMPORTS OF COMPUTERS, PERIPHERAL EQUIPMENT AND SOFTWARE ARE SUBJECT TO IMPORT DUTY AT THE RATE OF 60 PERCENT. THIS IMPORT DUTY IS APPLICABLE TO IMPORTS FROM ALL SOURCES AND NO DISCRIMINATION IS MADE AGAINST IMPORTS FROM US. AMONG NON- TARIFF BARRIERS, THE MAJOR LIMITING FACTOR WOULD APPEAR TO BE THE INDIAN IMPORT LICENSING POLICY AND OPPOSITION FROM ORGANIZED LABOR GROUPS WHO ARE FEARFUL OF BEING DECLARED REDUNDANT THROUGH WIDESPREAD APPLICATION OF COMPUTERS. GOI POLICY TENDS TO FAVOR ESTABLISHMENT OF A MANUFACTURING FACILITY WITHIN THE PUBLIC SECTOR AND IT HAS REPORTEDLY EXERTED PRESSURE ON IBM TO INDIANIZE. INDIA HAS TENDED TO RELY LARGELY ON THE SOVIET UNION FOR TECHNOLOGY. IN RECENT MONTHS SEVERAL HIGH LEVEL GOI MISSIONS HAVE VISITED THE SOVIET UNION FOR THE PURPOSE OF NEGOTIATING TRANSFERS OF TECHNOLOGY IN THE AREAS OF COMPUTER HARDWARE AND SYSTEMS ENGINEERING. ICL ALSO HAS A JOINT VENTURE WITH THE PUBLIC SECTOR BHARAT ELECTRONICS LIMITED FOR THE MANUFACTURE OF CERTAIN COMPUTER COMPONENTS. IBM'S APPLICATION FOR UNDERTAKING A SUBSTANTIAL EXPANSION HAS REMAINED IN A STATE OF SUSPENDED ANIMATION SINCE 1969. REPORTEDLY, THE GOI HAS PLACED THE FOLLOWING PRECONDITIONS FOR APPROVAL :

- I) IBM- INDIA SHOULD DILUTE EQUITY AND HAVE INDIAN PARTNERS;
- II) IBM- INDIA MUST EXPAND WITHOUT SPENDING FOREIGN EXCHANGE, AND
- III) IBM- INDIA

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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